Press Release

Perfect Agrofood Private Limited

December 16, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE BB/ Outlook:Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BB' (read as ACUITE double B)** on the Rs.8.00 crore bank facilities of Perfect Agrofood Private Limited (PAPL). The outlook is '**Stable**'.

About the Company

Jaipur- based Perfect Agrofood Private Limited (PAPL) was incorporated in 2013 as a private limited company and is engaged in the manufacturing of mustard oil and mustard cakes. The plant is located in Bassi district, Jaipur and the installed capacity is about 200 tonnes per day. The promoters of the company are Mr. Kanhaiya Modi (Director) and Mr. Sanwar Mal Sigtia (Director).

About the Group

The group comprises of two companies – Shree Fats and Proteins Private Limited and Perfect Agrofood Private Limited. Shree Fats Group is engaged in the manufacturing of edible oils, pulses, cereals. The promoters of the group are Mr. Rajkumar Goenka, Mr. Sanjay Goenka and Ms. Mona Goenka (SFPPL) and Mr. Kanhaiya Modi and Mr. Sanwar Mal Sigtia (PAPL).

Analytical Approach

To arrive at this rating, Acuité has consolidated the business and financial risk profiles of SFPPL and Perfect Agrofood Private Limited (PAPL), hereinafter referred to as Shree Fats Group. The consolidation is in view of similarity in the line of business and operational synergies among the entities. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management**

  Mr. Kanhaiya Modi (Director) and Mr. Sanwar Mal Sigtia (Director) have an experience of around two decades in the edible oils industry. The established track record of operations and experience of the management has helped the group to develop healthy relationships with its customers and suppliers. The group has forged healthy relationships with their reputed customers like BL Agro Industries Limited, Adani Wilmar Limited etc.

  Acuité believes that the group will continue to benefit from the promoter's established presence in the industry and experienced management over the medium term.

- **Efficient working capital management**

  The group's working capital management is efficient marked by its gross current asset (GCA) days of around 65 days in FY2020 as against 58 days in FY2019. The group has maintained an inventory holding period of 41 days as on 31 March, 2020 as against 32 days as on 31 March, 2019. The debtor days remained around 16 in FY2020 as against 21 days in FY2019.

  Acuité expects the working capital management of the group to remain efficient over the medium term on account of its low debtor collection period.

Weaknesses

- **Declined profitability margins**

The operating margins of the group plummeted to 1.60 percent in FY2020 vis-à-vis 2.13 percent in FY2019. This was mainly on account of a halt in imports due to the nationwide lockdown on account of the Covid-19 pandemic. The PAT margins remained at 0.57 percent In FY2020 as compared to 0.65 percent in FY2019.

Acuite believes that going forward, the ability of the group to improve its profitability margins will remain a key rating sensitivity.

- **Above average financial risk profile**

The group has above average financial risk profile marked by moderate gearing and above average debt protection metrics. The net worth stood at Rs.22.92 crore as on 31 March, 2020 as against Rs.21.66 crore on 31 March, 2018 on account of moderate accretion to reserves.

The group has followed a moderately aggressive financial policy in the past; the same is reflected through its gearing levels of 2.66 times as on March 31, 2019. The gearing improved to 2.08 times as on March 31, 2019 on account of reduction in working capital requirements. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.96 times as on 31 March 2020 as against 3.20 times as on 31 March 2019.

The group, on the other hand, generated cash accruals of Rs.3.38 crore in FY2020 as against Rs.4.01 crore in FY2019. The profitability levels, coupled with debt levels, has led to above average debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stood at 0.07 times and 2.43 times, respectively.

Acuité believes that the financial risk profile of the group is likely to remain above average over the medium term, on account of moderate gearing and above average debt protection metrics.

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.3.38 crore for FY2020, with no major debt repayment obligations for the same period. The cash accruals the group are estimated to remain in the range of around Rs.3.58 crore to Rs.4.27 crore during FY2021-23 against debt repayment obligations of Rs.0.06 crore-Rs.0.23 crore every year in the same period. The group's working capital operations are efficient, marked by GCA of 65 days for FY2020. The average bank limit utilization over the past six months ended September 2020 remained at around ~86.50 percent. The current ratio stood at 1.24 times as on 31 March, 2020.
Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Rating Sensitivities

- Scaling up of operations along with improvement in profitability
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Outlook: Stable

Acuité believes that Shree Fats Group will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenue while maintaining profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	404.32	457.91
PAT	Rs. Cr.	2.31	2.95
PAT Margin	(%)	0.57	0.65
Total Debt/Tangible Net Worth	Times	2.08	2.66
PBDIT/Interest	Times	2.43	1.84

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Oct-2019	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Proposed Bank Facility	Long Term	3.00	ACUITE BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/Stable (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Stuti Fomra Analyst - Rating Operations Tel: 011-49731309 stuti.fomra@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.